

Message Text

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PAGE 01 TOKYO 03493 111046Z

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 L-03 H-02 NSC-05 SS-15
STR-04 CEA-01 PA-02 PRS-01 /109 W
-----111054Z 122786 /17

P R 111026Z MAR 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 6083

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS TOKYO 3493

DEPT PASS TREASURY, CEA AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: GOJ ANNOUNCES MORE STEPS TO BOLSTER RECOVERY

1. SUMMARY. IN YET ANOTHER OF THE ALMOST REGULAR MONTHLY ANNOUNCEMENTS SINCE LAST NOV OF PROGRAMS TO BOLSTER JAPAN'S ECONOMIC RECOVERY, THE GOVT ANNOUNCED MAR 11 A FOUR-POINT PACKAGE OF MEASURES DESIGNED TO SPUR ECONOMY. MEASURES FOCUS ON ACCELERATING START-UP OF PUBLIC WORKS PROJECTS AND INCREASING PRIVATE INVESTMENT. DESPITE RECEIVING ALMOST NO ADVANCE PUBLICITY, TODAY'S GOJ MOVE, WHICH PARALLELS LONG-EXPECTED BOJ POLICY BOARD DECISION TO REDUCE CENTRAL BANK DISCOUNT RATE (SEPTEL, COULD HAVE FAVORABLE PSYCHOLOGICAL IMPACT ON BUSINESS CONFIDENCE IN ADDITION TO DIRECT ECONOMIC STIMULUS PROVIDED BY NEW MEASURES. END SUMMARY.

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2. GOJ, AT MAR 11 MEETING OF MINISTERIAL COUNCIL ON ECONOMIC AFFAIRS, ATTENDED BY PM FUKUDA, FINMIN BOH, EPA DIR KURANARI AND TOP LDP EXECUTIVES, ADOPTED A FOUR-POINT PACKAGE OF MEASURES TO FIRM UP SAGGING BUSINESS CONFIDENCE AND STRENGTHEN ECONOMIC RECOVERY. FOLLOWING ARE MAJOR FEATURES OF POLICY MEASURES ANNOUNCED:

(A) ALL-OUT EFFORT TO EXPEDITE ALL PUBLIC WORKS PROJECTS PLANNED FOR JFY 76; AND AWARDED IN FIRST HALF OF JFY 77 EXCEPTIONALLY HIGH FIGURE OF 70 PERCENT OF PROJECTS PLANNED FOR THAT FISCAL YEAR;

(B) EARLY ACCEPTANCE BY JAPAN HOUSING LOAN CORPORATION OF APPLICATIONS FOR LOANS TO FINANCE PRIVATE CONSTRUCTION OF 90,000 HOUSING UNITS;

(C) ENCOURAGEMENT OF LOWER INTEREST RATES ON LENDING BY PRIVATE FINANCIAL INSTITUTIONS; AND

(D) ENCOURAGEMENT OF INCREASED CAPITAL INVESTMENT BY ELECTRIC POWER AND OTHER INDUSTRIES.

3. EMBASSY IS PREPARING ASSESSMENT OF FOREGOING MEASURES. ON FIRST READING, WE BELIEVE THAT THESE MEASURES, ALONG WITH OTHER RECENT ACTIONS BY GOJ AND CERTAIN OTHER DEVELOPMENTS (E.G. USUAL YEAR-END RUSH TO EXPEND FY BUDGET), SHOULD RESULT IN MARKED CONCENTRATION OF GOVT SPENDING IN MONTHS IMMEDIATELY AHEAD -- AND COULD HAVE SIGNIFICANT STIMULATIVE EFFECT ON ECONOMY AS WHOLE. BEYOND THIS, MEASURES ANNOUNCED TODAY BY THE MINISTERIAL COUNCIL, WHICH RECEIVED ALMOST NO ADVANCE PUBLICITY, MAY WELL HAVE GREATER PSYCHOLOGICAL IMPACT THAN BOJ DISCOUNT RATE CUT, POSSIBILITY OF WHICH HAD BEEN DISCUSSED BY PRESS AND GOVT FOR SOME TIME AND DECLARED VIRTUALLY CERTAIN BY NEWSPAPERS ALL THIS WEEK.

SHOESMITH

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Disposition Event:
Disposition History: n/a
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